

March 3, 2006

Guy A. Messick, Esquire  
Messick & Weber P.C.  
108 Chesley Drive  
Media, PA 19063

Re: World Council of Credit Unions (WOCCU) "International Shared Branching" Pilot Project with Ecuador.

Dear Mr. Messick:

You have asked if a federal credit union (FCU) may engage in international shared branching activities with foreign credit unions. While NCUA has long recognized shared branching as a permissible activity for FCUs, we view the activity you propose as permissible as a correspondent service under the incidental powers rule. Additionally, we caution that the involvement of foreign credit unions requires close attention to United States and international laws.

WOCCU has contracted with Caja Central Cooperativa Financoop (FINANCOOP), a corporate credit union in Ecuador, and credit union service centers to establish an "international shared branching" (ISB) network. The ISB network includes a transaction switch and clearinghouse functions that enable members to conduct transactions with their credit union from an FCU or other networked credit union outside Ecuador. The ISB network offers reciprocal services to members in Ecuador who need to transact business with their FCU. Credit union members can deposit and withdraw money from their share accounts through the ISB network.

A typical transaction on the network would involve an Ecuadorian credit union member delivering funds to an FCU that is on the ISB network for the purpose of making a deposit or withdrawal at the member's credit union account in Ecuador. The Credit Union Service Corporation will transmit the deposit or withdrawal to a United States corporate credit union. The corporate credit union will then send the deposit or withdrawal to Town North Bank, which holds a FINANCOOP account. FINANCOOP will transmit the deposit to its account on the member's behalf to Multisoft, the Ecuadorian credit union service center. Multisoft will finally transmit the deposit or withdrawal to the member's Ecuadorian credit union.

In the scenario you propose, the ISB network is permissible as a correspondent service in which FCUs provide services to Ecuadorian credit unions. Under the incidental powers rule, credit unions may provide services that they are

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authorized to perform for their members to other credit unions. 12 C.F.R. §721.3(b). These services include disbursing share withdrawals and loan proceeds, check cashing services, and deposit services.

Shared branching is a permissible activity for FCUs to provide services to their members that does not require NCUA approval. FCUs may invest in or contract with credit union service organizations engaged in preapproved activities and services related to the routine daily operations of credit unions, including shared branching and credit unions service center operations. 12 C.F.R. §712.5(m). Additionally, service center activity can be conducted under a service contract. 12 C.F.R. §§701.26.

Because the ISB network involves an agreement with foreign credit unions, WOCCU must consider other requirements and restrictions regarding the transfer of funds across U.S. borders. Funds accepted from nonmembers at FCUs for transmission to Ecuadorian credit unions are not insurable under the FCU Act, and ISB participants should notify depositors of the potential risk of loss during a transfer. ISB participants should ensure they comply with customer identification procedures, anti-money laundering laws, and other related requirements. Additionally, while the ISB arrangement and any related agreements must comply with applicable federal and state law, international treaties and Ecuadorian law may affect the ISB network.

If you have questions, please contact Staff Attorney Tonya Green or me.

Sincerely,

Sheila A. Albin  
Associate General Counsel

GC/MIG:bhs  
05-0915